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Jennifer Hunter

University of Kentucky, jhunter@uky.edu

Nicole Rachael Peritore

University of Kentucky, nicole.peritore@uky.edu

Kristyn Marie Jackson

University of Kentucky, kristynmariejackson@gmail.com

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Investigating Your Health Insurance Options

Jennifer Hunter, Nicole Peritore, and Kristyn Jackson, Family and Consumer Sciences



Key Terms

Copayment: Set dollar amount you pay for each health care service, such as a doctor's visit.

Deductible: The dollar amount you must pay out-of-pocket before your health insurance coverage begins.

Coinsurance: Your portion of the covered charges, normally a percentage of the total cost.

Out-of-Pocket Maximum: The most you will pay for covered healthcare charges during a plan year.

Premium: The amount you pay for health insurance coverage.

Essential Health Benefits: Benefits that must be covered by insurance plans to be in the marketplace.

In-Network Provider: Healthcare provider works with the insurance company that covers you to provide health care services; networks can change, so make sure that your healthcare provider is still "in-network" when you make an appointment

Preventative Health Care Services: Services that provide care now to prevent illness later, such as shots or screening tests

Health insurance, like other types of insurance, helps you and your family prepare for an unexpected event or circumstance. Choosing to purchase health insurance reduces the chance of having a large financial loss from a medical event or accident.

Many people purchase health insurance through their employer; however, others may participate in a group policy elsewhere or purchase an individual policy. Typically, health insurance **premiums**, or the price you pay for health insurance coverage, will be less expensive when purchased through your employer or as part of a group, as opposed to purchasing as an individual. However, The Patient Protection and Affordable Care Act (ACA), which was signed into law in 2010, is designed to provide access to quality and affordable healthcare. People with low incomes, self-employed, retired, or have too little coverage may now have access to health insurance through the Health Insurance Marketplace. The Marketplace allows people to shop for, select, and enroll in high quality, affordable private health plans that fit their needs at competitive prices. Assistance through tax credits and/or cost sharing subsidies may be available for some individuals to assist with paying for health care costs.

Identifying Your Health Insurance Needs

Identifying healthcare wants and needs for you and your family is an important first step to finding a healthcare plan that will provide adequate healthcare coverage at a sufficient price. To help you determine a health care plan that will best suit your needs, you will want to:

- Think about the type and frequency of medical services you and your family have used in the past year.
- Consider your current family situation: Do you anticipate your healthcare needs will change within the next 12 months?

Choosing a health insurance plan may seem overwhelming; however the process is very similar to any other household purchase decision, such as buying new kitchen appliances or a new vehicle.

- Identify different types of costs associated with healthcare plans. Premium, copayment, deductible, and coinsurance are important words to know and understand.
- Review your finances and monthly budget. Do you have a savings account or emergency fund in place to help pay costs associated with copayments, deductibles, and coinsurance? Consider your comfort level. Would you rather pay more per month in premiums but less in other costs when you use medical services? Or, would you prefer paying less per month, realizing that your copayments, deductible, and coinsurance costs will most likely be higher when you seek medical services?
- Laboratory services, including blood work and X-rays
- Preventative/wellness services and chronic disease management (this care includes counseling, screenings, and vaccines needed to keep you healthy as well as any necessary care for the management of a chronic disease)
- Pediatric services, including well and sick child visits, vaccines, in addition to dental and vision care

For more information on how to determine your health insurance needs, see FCS 5-461, *Evaluating Your Health Insurance Needs*.

What are Essential Health Benefits?

When choosing a health insurance plan, your goal should be to find a plan that meets the health care needs of your family and fits within your budget. All health care plans within the Health Insurance Marketplace offer the same set of **essential health benefits**, which are specific health services required to be covered. It is important to comparison shop both health insurance providers and plan options to find the best fit for you and your family.

The minimum benefits covered are:

- Outpatient hospital care, which is often referred to as ambulatory patient services (these are the services that you receive without being admitted to a hospital)
- Emergency services, such as a visit to the emergency room
- Hospitalization, which is any kind of care that requires you to be admitted to a hospital for observation, treatment, or a procedure
- Maternity and newborn care before and after your baby is born
- Mental health, substance abuse treatment, and behavioral health (this care includes behavioral health treatment, counseling, and psychotherapy)
- Prescription drugs that are prescribed to you by your doctor
- Rehabilitative services and devices (these are services such as physical therapy or occupational therapy and devices that help when you may have had an injury such as canes, walkers, or other assisting devices)

Although all plans are required to provide coverage for the essential health benefits, your portion of the costs associated with each service will be depend on the health care plan that you choose. However, **preventative health services**, or those services that help keep you healthy, are provided at no cost to you, regardless of the health care plan you choose, as long as you use an **in-network provider**. Examples of preventive care services include blood pressure screenings, immunizations, breastfeeding support, well-women visits, and vision screening for children. A complete list of preventive care benefits can be found on the HealthCare.gov website, <https://www.healthcare.gov/what-are-my-preventive-care-benefits/>.

If you receive a health care service that is not a covered benefit with your plan, your insurance will not pay for the service. The Affordable Care Act requires all health insurance plans to offer a minimum set of ten essential health benefits. Although all plans must offer the essential health benefits, certain plans may offer additional benefits, such as chiropractic care, diet counseling, as well as dental coverage and vision coverage.



How to Compare Health Care Plans

Choosing a health insurance plan may seem overwhelming; however the process is very similar to any other household purchase decision, such as buying new kitchen appliances or a new vehicle. Often when consumers make a major household purchase, they utilize the steps in the Planned Buying Process. The Planned Buying Process consists of seven steps, which encourages the consumers to think about all aspects of a purchase before actually making the purchase:

1. Prioritizing wants
2. Pre-shopping research
3. Fitting the budget
4. Comparison shopping
5. Negotiating
6. Making the decision
7. Evaluating the decision

Step 1: Prioritizing Wants and Needs

Determining your health insurance wants and needs is the first step in identifying a policy for you and your family. Please review your healthcare priorities from the questions stated earlier. FCS publication 5-461, *Evaluating Your Health Insurance Needs*, provides additional information to help you prioritize both health care options as well as other considerations such as location of the healthcare providers and specific in-network healthcare providers or specialists you may want to use.

Step 2: Pre-shopping Research

It is important to familiarize yourself through the Health Insurance Marketplace, your employer, or individual coverage in which you have access, plan options, and benefits. There are several places to seek additional information. Websites such as the federal government's HealthCare.gov, Kentucky's Health Care Connection at <https://kyenroll.ky.gov/>, and The Kaiser Family Foundation at www.kff.org offer detailed information and answers to frequently asked questions. You may also consider visiting with a local insurance agent or human resources personnel provided by your employer. These can all be good sources of information.

Step 3: Fitting Your Budget

Health insurance plans will vary in both monthly premium amount and out of pocket expenses for medical services. If you have not previously had health insurance expenses as part of your monthly budget, it will be important to determine how much you can afford. You may need to move around or reduce your monthly spending in some areas to be able to fit the health insurance premium into your monthly budget. It would also



be recommended to set aside additional money each month in savings to cover out-of-pocket expenses when they occur.

To fit the cost of health insurance into your monthly budget, it may be helpful to make a list of your current monthly income (Table 1) and expenses.

- Start with the amount of your take-home pay.
- Add any additional income you may receive, such as child-support payments.
- If you are paid once per week or twice per month, multiply your take-home amount to determine the total amount for one month.

Table 1. Monthly income.

Income Source	Amount (\$)/Month
Example: Paycheck from work	\$1,600
Total Income/Month	

Now that you are aware of your total available monthly income, the next step is to make a list of your monthly expenses (Table 2). This total may include both **fixed** and **flexible** expenses.

- Start with your fixed expenses. Fixed expenses are those expenses that are generally the same amount each month and are paid on or about the same time every month. Examples of fixed expenses include monthly mortgage or rent payments, car payments, and some utilities.
- List your flexible expenses. Flexible expenses are those expenses which may vary in amount on a monthly basis. Examples of flexible expenses include gasoline, groceries, and entertainment. Generally speaking flexible expenses are often more difficult to identify than fixed expenses.

- To help you identify your flexible expenses, consider tracking your expenses for one week. Keep a log of the type of expense and amount. At the end of the week categorize your expenses by type and estimate the amount you would spend per month in those categories. Use the Current Amount column in the box below to record your expenses.
- Compare your total monthly income and total monthly expenses. Do you have available income to use for healthcare related expenses? If not, review your list of fixed and flexible expenses, identify expense categories that you would be able to reduce or eliminate to be able to fit health care expenses into your budget. If you already account for health care expenses in your monthly budget, determine whether this amount needs to be adjusted to meet your healthcare needs.

Table 2. Monthly expenses.

Expense Category	Current Amount/Month	Adjustment	New Budget
Fixed Expenses			
Example: Rent Payment	\$600		\$600
Rent/Mortgage Payment			
Car Payment			
Car Insurance			
Other:			
Other:			
Other:			
Other:			
Flexible Expenses			
Example: Groceries	\$400	-\$50	\$350
Gasoline			
Entertainment			
Food Away From Home			
Groceries			
Clothing			
Personal Care Items			
Personal Savings			
Health Insurance			
Other:			
Other:			
Other:			
Total			

Step 4: Comparison Shopping

Have you ever comparison shopped for big ticket items such as a new air conditioner, television, or computer? Typically during the comparison shopping process you are looking at product features, reliability and price. Although all healthcare plans are required to cover essential health benefits, it is important to “comparison shop” the health insurance providers, benefits, and costs. As you comparison shop, you will want to identify a minimum of three healthcare options to closely evaluate.

Step 5: Negotiating the Price

Unlike buying a car or other big ticket items, you will have limited or no ability to negotiate the price of a specific health insurance policy. However, you should carefully consider all costs of the different plans.

Step 6: Making the Decision

As you begin to narrow down the health insurance plan that would best fit your needs, a decision-making grid can be useful to help you compare plans and determine the plan that will best fit your needs. The steps in Table 3 will help guide you through this process.

1. Start by identifying at least five criteria that are most important to you in regards to health insurance coverage and record them below. Examples may include: low monthly premium, or providers available.
2. Rank your choices in order of importance, with 1 being the most important and 5 being the least important.

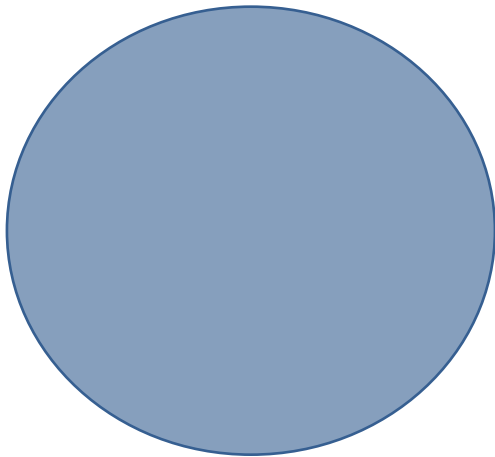
Table 3. Health-insurance priorities list.

Criteria	Rank
1.	
2.	
3.	
4.	
5.	
6.	
7.	

As you comparison shop, you will want to identify a minimum of three healthcare options to closely evaluate.

Although all healthcare plans are required to cover essential health benefits, it is important to “comparison shop” the health insurance providers, benefits, and costs. As you comparison shop, you will want to identify a minimum of three healthcare options to closely evaluate.

1. To help you identify how important each criteria is to you, divide the circle below into sections. Think of it as cutting a pie into pieces; the criteria that is most important to you should be the largest piece of the pie. Assign each piece of your pie the percent value you feel it represents. For example, if a low monthly premium is your biggest concern in selecting a health insurance plan, you might decide to make it represent half of the circle. If provider selection is the least important of your five decision criteria, then it might receive only a small piece of pie.



2. Next, begin to complete the decision-making grid below with the information you have listed above. The decision weight is the portion of pie you assigned to each criterion. For example, if a low monthly premium represented half of the pie, the decision weight for low monthly premium would be 50 percent. If in-network providers only received a small piece of pie, the decision weight would most likely be 10% or less.

To complete the remainder of the decision-making grid (Table 4), you will need to select three potential health care plans to compare.

After you have selected three health care plans to compare, review each policy and give each criterion a score from 1 to 10, with 10 being the best score, which reflects how well the policy meets the criteria. Multiply the decision weight and score to get a weighted score. The weighted score makes the things that are most important to you worth more points. Total the weighted score for each plan. Compare the total scores for each. The plan with the highest score most likely will best meet all of your needs.

Table 4. Decision-making grid.

Criteria	Decision Weight (W)	Plan #1		Plan #2		Plan #3	
		Score (S)	W X S	Score (S)	W X S	Score (S)	W X S
Example: 1. Premium	30	8	2.4 (8 x .3)	5	1.5 (5 x .3)	6	1.8 (6 x .3)
1.							
2.							
3.							
4.							
Total	100%						

Make sure that the health insurance coverage you are choosing meets all of your wants and needs, and fits comfortably within your budget.



The decision-making grid can help you objectively consider the options available within each healthcare plan. Although the highest score technically “wins” you will still want to review this decision to make certain that it is the best decision for you and your family.

Step 7: Evaluating Your Decision

Before making your final decision, be sure to review the wants, needs, and budget that you identified in Steps one and three. Make sure that the health insurance coverage you are choosing meets all of your wants and needs, and fits comfortably within your budget.

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